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From the Third Sector to the Big Society: how changing UK government policies have eroded third sector trust

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This paper draws on concepts of trust to analyse recent policies affecting public/third sector relationships, examining the parallel policy strands of competition, ‘command and control’ mechanisms and the community turn in shaping recent cultures of relationships. The paper draws on examples from two empirical studies in English inner-city areas to explore ways in which power and regulatory frameworks exerted through dominant organisational cultures and arrangements undermine the independent approaches to communication and action, necessary to develop innovative work and organisational learning within and across sectors.

State bodies have behaved as though trust in their actions is a given, while increasingly shifting responsibilities for service delivery and risks of failure to others. Drawing on our research, we argue that the increase in market cultures and regulatory frameworks have damaged trust in cross-sector relationships, promoting divisive interests and risk-averse behaviours, restricting the autonomy, innovation and community action presumed in the Big Society agenda. We conclude by highlighting issues that need to be addressed to ensure the development of collaboration with community-based providers in the future including a focus on the processes and relational spaces which will enable positive alternatives.

Keywords: Trust; control; innovation; risk; voluntary and community organisations; performance audit; new public management; Big Society

From the Third Sector to the Big Society: how changing UK government policies have eroded third sector trust

Introduction

Third sector organisations¹ (TSOs), in the UK, as internationally, have taken on a growing share of services previously delivered through statutory agencies. Simultaneously, debates about their changing roles and relationships with the state, and the related effects of outsourcing and partnership work have grown. However, issues of trust in state-third sector relationships, especially those involving small, community-based third sector organisations, have had limited study. A growing literature has considered the effects of changes in public services on third sector agencies, highlighting the growing emphasis on competition and regulatory and performance frameworks in this mixed welfare economy (Baines et al. 2011). As pressures on public sector spending grow, there is a shifting dynamic between ‘old’ and ‘new’ values, as the distinctive character of TSOs gives way to regimes legitimised through dominant managerial cultures (Milbourne, 2009) and entrepreneurial approaches (Macmillan, 2011). Consequently, trust, which formerly underpinned varied relationships between public and third sector agencies, has been widely displaced by formalised arrangements which control and manage meanings, re-shaping and normalising an asymmetry of relationships between state and third sectors.

TSO relationships with public funders have, for some time, maintained a tension between autonomy and accountability. Autonomy is necessary to sustain the goals and actions mandated

¹ We have retained the term *third sector* because of its international currency despite recent political changes in the UK, whereby the Office for the Third Sector has been renamed the Office for Civil Society. Civil Society encompasses wider associational and individual actions in society, where this paper concentrates on formally constituted charities, voluntary and community or not-for-profit organisations.

by community members and service users, to innovate and to respond to changing conditions. It allows individual and organisational learning and learning shared with funding bodies and other TSOs. Accountability is necessary to maintain trust that public resources are being used honestly and for activities that contribute to the public good. Over 13 years, New Labour showed courage in substantially increasing the resources allocated to TSOs but timidity in trusting TSOs to use the resources wisely. Conversely, the Coalition Government's Big Society agenda holds out a promise of greater autonomy while drastically reducing financial and organisational support (Pattie and Johnston, 2011). The issue for both public funders and TSOs is to manage this inescapable trade-off between autonomy and accountability constructively.

This article considers challenges to inter-organisational relationships as changes in the UK third sector environment have accelerated, with reforms and reduced resources in welfare provision; the promotion of community engagement; and the focus on civil society and voluntary interventions as ways to tackle economic recession (Cabinet Office, 2010). The article initially considers different approaches to understanding trust and examines these alongside policy changes affecting the third sector generated by the previous and current Governments (HM Treasury and UK Cabinet Office 2007; Office for Civil Society, 2010). The article contrasts the limited and positivist notion of trust contained in the commonly used ABI – ability, benevolence, integrity – framework (Mayer et al. 1995) with the critical theory based approach of Hardy et al (1998). The latter focuses on power relationships and draws attention to how power masquerades as trust and suborns the less powerful through control of the discourse.

Drawing on studies of TSOs in two English inner city areas, the article then examines inter-organisational relationships using concepts of trust to frame and analyse the data. These

examples show how the ideological privileging of market-style relationships and the imposition of inappropriate performance measurement impair trust, inhibiting the TSOs' successful operation. Rather than the co-production of targets, we observed disillusioned TSO managers, staff and users, resulting sometimes in resistance to change, which adversely affected both accountability and autonomy.

The fieldwork for the empirical studies included in this article was completed, by one of the authors, during the New Labour administration but the article also reflects on continuities and changes arising from the Coalition Government's Big Society agenda. The rhetoric of Big Society suggests greater freedom for organisations to set their own objectives (Cabinet Office, 2010), yet the accelerated marketisation of public services, increasingly large contracts and encouragement to private sector providers (Sloccock, 2012) are leading to a growing corporatisation of services and reduced public accountability (Bennett, 2011).

In devolving greater responsibility to 'communities', 'Big Society' also rests on the notion of a consensual society where the aims of local individuals, organisations, government and other powerful actors are unproblematically in alignment. As Brent (2009) underlines, community is essentially conflictual, and occluding such conflict trivialises the advocacy role that some TSOs adopt in the interests of less powerful social groups. Analysis of Big Society rhetoric suggests a fragile future for community organisations whose goals challenge those of government: compliance and possession of appropriate cultural capital and discourse will determine winners in future funding competitions (Coote, 2011).

The article now turns to examining different approaches to understanding trust before describing the empirical research and then applying these approaches to the data. It then discusses implications for more successful cross-sector relationships, innovation and learning.

Framing trust relationships: moving from trust to control

Building and sustaining trust in inter-organisational relationships, as Bachmann (2001) identifies, may be challenging and more complex than often acknowledged in literature. Much research conceptualises trust as resulting from benevolence of the trustee to the truster (Mayer et al. 1995), or argues, as Grey and Garsten (2001: 233) do, that trust and predictable behaviour are mutually reinforcing. However, these understandings overlook power inequalities and the importance of communicative action (Habermas 1984) in underpinning organisational relationships and motivation in service delivery. Many organisational relationships encompass goodwill but far fewer involve participants on an equal basis or offer space for exploring differences of approach which could generate more creative approaches but might depend on extending trust and entail considerable risk (Bachmann et al. 2001). More commonly, hierarchical arrangements and specified transactions underpin cross-sector relationships, controlling risk but undermining both trust and motivation for mutual learning, since learning requires the possibility of audiences for suppressed voices (Clegg et al 2005).

Hardy et al. (1998) explore the difference between trust relationships and power relationships masquerading as trust. They suggest (:79) two forms of trust: spontaneous and generated; and two forms of power based masquerade: manipulation (where dominant actors manage meanings), and capitulation (where subordinate actors surrender to dominant arrangements).

Trust and masquerade are distinguished by differing processes for constructing meaning and allocating risk. In trust relationships meaning is co-created and 'trust results from a communicative process in which shared meanings either exist, or are created through a reciprocal relationship,' (Hardy et al. 1998: 71). This necessarily involves all participants and demands communication which allows for examining differences and conflicts.

As Bachmann (2001) elaborates, patterns of power and trust operate at both inter-personal and structural levels. When what appears to be trust is a facade for power, meaning is managed, distorted or imposed by the dominant participant. In this masquerade, speech is strategic and agreement is suborned by the dominant organisational partner. Predictable but imbalanced relationships may be maintained based on assumed cultures or sets of arrangements; however, managed meanings typically exclude or marginalise those with limited power, who may increasingly mistrust, or become disillusioned with, the process. Disillusionment and experiences of exclusion have been TSO concerns during the last decade of policies (Taylor, 2011). If shared meanings are to emerge, rather than meanings being managed in ways that maintain or increase power differentials, power within communicative processes needs to be recognised and addressed. It is only when trust is present, whether spontaneous or generated, that speech approaches emancipatory discourse (Habermas 1984).

If partners learn to communicate in ways that produce shared meanings, trust-building can be successful. Governance through targets and performance indicators could be trust based, if these were co-developed and agreed. The previous UK government declared a similar perspective, indicating a wish:

that the third sector remains at the heart of measures to improve public services including as contractors...as advisers influencing the design of services and as innovators from which the public sector can learn. (HM Treasury 2007: 49)

While the discourse differs somewhat, emphasising locality and individuals rather than organisations, the Coalition government's position (Cabinet Office, 2010) is markedly analogous. Regardless of political stance, recent experience in the UK and elsewhere (Burnley et al. 2005, Moxham and Boaden 2007, Bennett 2011) indicates that targets continue to be centrally defined with minimal space for negotiation and represent an exercise in power; Ellis (2009) argues that the intensification of non-negotiated monitoring regimes has stifled flexibility and organisational learning. Recent policy aspires to reduce the burden of audit in the interests of local responsiveness. However, as result of the rapid expansion of public service outsourcing, prescriptive service criteria and performance outcomes are being unilaterally imposed by prime contractors holding mega-contracts on local TSO service providers (Crawley and Watkin 2011, Marsden 2011).

Walgenbach's (2001) research on the spread of standards and performance certification demonstrates that highly specified frameworks have failed to fulfil their intended purpose of improving cross-institutional trust. As Shaw and Allen (2006) argue, where trust-based relationships are dominant, narratives around activities and achievements often guide funders' assessment of the value of services more than measurable indicators. Targets do more than require a level of performance: they structure discourse and define the categories of what is meaningful and what is marginal.

Trust between public and third sectors: multi-layered relationships

Relationships between TSOs and state agencies are not neat, boundaried or homogenous; they are multi-layered and dynamic, influenced both by horizontal and vertical policy environments (Alcock and Kendall, 2011). Historically, many TSOs were either wholly or partly, grant funded through public bodies; and service provision was often co-constructed with local government. With the decline of grant funding, contracts for TSOs to provide diverse services and projects on behalf of public agencies have grown, often displacing co-delivery with a hierarchical dependence on outsourced funding. The growth of widespread service contracts, with associated regulatory controls and risk management has produced asymmetric power relationships, played out through the management of performance outcomes and transfer of risks. As Muehlberger (2007) describes in the private sector, despite provision being outsourced, arrangements have been subject to progressively greater control, delimiting activities and approaches.

The multiple policy pressures on TSOs to engage with other agencies and individuals, within and across sectors, and to draw on civil society actors and volunteers have intensified. Funding is often a key driver; and both complexity and formality in relationships and governance have correspondingly grown (Maier and Meyer, 2011). . This stress on collaboration reflects continuity in strategy from previous to current UK governments, often initiated through formally constituted joint boards, such as Local Strategic Partnerships or Neighbourhood Councils. A proliferation of multi-agency projects have engaged in joint service delivery but Taylor's (2006) research highlights the differing levels of power and influence within partnerships. TSOs have also carried a continuing historic role as advocates for individuals or communities, representing their interests and unmet needs to a statutory agency: a relationship

that potentially conflicts with other arrangements. While new community organisers (promised to energise the Big Society) will pursue elements of this community work, the withdrawal of funding from multiple projects and new workers often from outside localities, mean a significant loss of community expertise and a growth in mistrust (NCIA 2011; Taylor 2011).

TSOs and public bodies may therefore be simultaneously engaged in several different types of relationships, and relationships that build trust at one level, as when a public agency involves a TSO in identifying needs for local services, are disrupted by interactions at another, when competitive contracts for services are introduced. In later examples, we explore the implications of moving from grant-based to contractual relationships; and of cross-sector planning and delivery work. Like Carmel and Harlock (2008), we examine ways that recent devolution of service delivery and partnership work have extended the governable terrain to agencies previously outside state governance, effectively undermining trust-based relationships.

As Hardy et al. (1998) note, in trust-based relationships risk is shared, while in masquerades risk is disproportionately carried by the subordinate participant. Joint enterprise and joint service provision are typically characterised by trust relationships, though these may evolve gradually; and trust is assumed to emerge from equal, though distinct, contributions. In contrast, while contracted service provision *may* be governed by trust, procurement and contracting more frequently involve hierarchical power relationships (O'Brien 2006; Baines et al, 2011). These may appropriate the language of trust but often coerce consensus and restrict alternative approaches, so generating 'a new brutalism' in intra- and inter-sector relationships (Hoggett et al. 2009:157).

Contracting is, of course, not new but grew under the previous Conservative Government in the 1990s. Several features uncovered in this research are reflected in Scott and Russell's (2001) earlier work, including the distraction of organisations from their core aims in order to chase money and targets. They also noted that purchasers under-valued the role of volunteers and the community base of TSOs focusing on service outputs rather than the local impacts of provision.

In contracted services, the trust basis has been superseded by client/contractor relationships, often derived from private sector models (see e.g. Lacity and Willcocks 2009) but these may translate poorly into public service settings. Increasingly larger contracts have encouraged the *Tesco-isation* of TSOs in an escalating marketplace (Alcock and Kendall, 2011), producing mergers and consequent mission drift as TSOs adopt more entrepreneurial behaviours.

Lessons from other sectors are valuable here. Reviewing outsourcing, Weeks and Feeny (2008: 140-1) identify three types of trust: personal, competence-based and motivational. Personal trust is based on a belief in the personal integrity of project partners which may be undermined by mission drift; while competence-based trust rests on a belief in the other's professionalism potentially eroded through operational problems. Motivational trust is based on joint opportunities for reward from success and joint exposure to penalties from failure – trust underpinned by appropriate risk- and reward-sharing mechanisms. Comparing these definitions with the commonly used ABI – ability, benevolence, integrity – framework applied to understanding trust (Mayer et al. 1995), personal trust parallels integrity and competence-based parallels ability. However motivational trust differs from the concept of benevolence: while benevolence is individual, often voluntaristic, and carries no obligation, motivational-based trust assumes joint endeavour and a two-way relationship.

Hardy et al.'s (1998) discussion of generated trust suggests that trust develops with experience of the other. However, McKnight et al. (1998) argue that people frequently start by trusting but that this can be cemented or dissipated depending on subsequent actions. Disposition to trust (Mayer et al. 1995) varies depending on local context and cultural factors (Hofstede 1980).

Despite the high profile given to charities and community organisations in the Big Society agenda (Maude, 2010), the early welcome accorded to strategies concerned with localism and devolution of power has been short lived, as third sector services across many fields lose funding and face closure (Crawley and Watkin, 2011; Toynbee 2011a).

Grey and Garston (2001: 246) highlight the fragile nature of 'all forms of trust' and argue that significant (post-bureaucratic) organisational changes demand a re-casting of shared social practices from which to construct trust-based relationships. In changed or innovative environments the security of shared rules, discourse and values underpinning predictable practices are interrupted, producing a precarious environment for trust, and little prospect of the hoped-for growth in community engagement. McKnight et al. (1998: 480) identify more specific conditions for strengthening trust. Their construct of *unit grouping* which places 'the other person in the same category as oneself' identifies initial trust being secured at an interpersonal and group level through a tendency 'to share common goals'. This unit grouping would apply where a TSO and a public agency co-operate in a common endeavour. However, to maintain trust, both parties must exhibit trusting and trust-worthy behaviour and the conditions for motivational trust must be present. The poor record of the Labour government's Compacts in building good communications and fair contracting practices between public and third sector agencies (Zimmeck 2010) illustrates a failed joint enterprise undermined through conflicting

priorities, despite emphasis on the importance of TSOs in community trust building (HM Treasury, 2007).

Comparing recent governments, there are similarities but also key differences. Previously, the need to improve relationships between the third sector and different levels of government, reducing excessive regulation, was eventually acknowledged (Cabinet Office 2009); now responsibility for effectiveness and responsiveness of services is devolved to community providers, individuals or to market forces. State agencies can then retreat from the need to improve inter-organisational relationships; and from democratic accountability for services. Consequently there is a failure to address the problematic facets of the relationship between the state, service providers and service users: crucial elements in the development of improved services and citizen engagement.

New Labour's rhetoric of joined-up services, partnerships and new localism (Aspden and Birch 2005) is echoed in the Coalition's Big Society agenda and the Localism Bill but arrangements are now focused on local volunteers and entrepreneurial activities, coupled with cross-sector delivery of public services. Labour's preference for outsourcing to third sector providers who secure a level of public trust as acting in the public good (Nevile 2010) has now been superseded by a market where size and price displace intrinsic value. Where markets are rationalised to drive down costs, trust in services and providers may be lost; and where much public money has been withdrawn from local projects, new community organisers will face a challenging task of rebuilding trust relationships with user groups or their representatives.

The unresolved contradictions in recent government strategies between aspirations to localism and the desire to secure the lowest prices by bundling services into giant contracts which excludes all but the largest organisations, are graphically illustrated in Toynbee's (2011b) example:

The head of Capita, the outsourcing company, told the Financial Times he had been assured by [cabinet minister] Francis Maude that the "big society" would not get in the way of large firms taking the lion's share of contracts.

As Taylor (2006) has shown, discontinuities in funding and policy, and power differentials often undermine cross-agency planning and delivery negating the inclusive rhetoric surrounding localism and open collaboration. This tendency has accelerated under the Big Society to the extent that 70% of voluntary sector chief executives do not believe 'the Government respects and values the voluntary sector as a partner' (ACEVO, 2011: 22)

Trust, risk and innovation

The current government, like the previous, recognises the value of diversity of organisations in promoting enterprising solutions to social challenges and the multiple opportunities for those willing to adopt an entrepreneurial spirit (Office for Civil Society 2010: 6). Recommending that funding bodies should not be 'overly "risk averse" in making funding decisions' (HM Treasury 2006:10), recent government strategy (OCS 2010) similarly argues against uniform and heavily specified frameworks of control, yet apparently ignores the acceleration of such frameworks as public sector outsourcing has spread. Therefore, while aspirations towards trust-based relationships are stated, the willingness of funders to adopt this advice, to extend trust,

share risks and welcome alternatives is little evident in the construction of contracts for services or community projects (Milbourne, 2009). Research on outsourcing from other fields illustrates the benefits of risk-sharing and trust-based approaches (e.g. Weeks and Feeny 2008; Lacity and Willcocks 2009), contrasting with the short-termism often characterising TSO experiences.

Government agencies carry significant risks for quality of provision, such as through poor service quality threatening success; lack of innovation jeopardising new policy delivery; and inadequate information sharing leaving gaps in provision (Kurunmäki and Miller 2004).

However, they have sought to control, or alternatively to abdicate responsibility, rather than sharing or mitigating such risks. TSOs delivering services, however, additionally carry the risks for organisational viability and survival, which are exacerbated the smaller the size of the TSO. Large national TSOs are exposed to containable financial risk but unlimited reputational risk (Power et al. 2009); smaller community-based organisations carry both reputational risk and potentially fatal financial risk.

While Grey and Garsten (2001) claim that trust comes from exercising control through ensuring predictability, Ghoshal and Moran (1996: 24) argue that trust and risk management, utilising detailed regulatory frameworks, are inversely related. Rigorous specification signals that controllees are neither trusted nor trustworthy; and ‘surveillance... threatens the controllee's personal autonomy and decreases his or her intrinsic motivation.’ Similarly, at the organisational level, audit surveillance, far from deterring opportunistic behaviour, may actively encourage it, enhancing the potential for moral hazard.

In analysing inter-organisational alliances, de Man and Roijakkers (2009: 77) drawing on Das and Teng's work argue that 'two elements of risk are particularly important: relational risk (that partners will deceive each other) and performance risk (that the alliance will not deliver the expected results)'. Public agencies, increasingly concerned with value for money, tend to prioritise performance risks, often discounting relational risks. However, de Man and Roijakkers identify high performance risks and low relational risks as generally best managed through trust-based governance. The extent to which command and control or trust-based state-TSO relationships apparently prevail is explored further through our examples.

The UK public sector, as elsewhere, has operated with a growing focus on audit and performance measurement, inherent in service contracts and the dominant managerial cultures of public agencies (Clarke et al. 2000). These cultures have similarly transformed management practices in third sector work through coercive and mimetic isomorphism (DiMaggio and Powell 1983). The escalation of data collection can readily erode autonomy without ensuring accountability, providing 'rituals of verification' (Power 1997:145) and exacerbating the inevitable tension between accountability and autonomy. Many TSOs experience data reporting as intrusive and time-consuming surveillance (Milbourne, 2009) signalling a lack of trust (Hoecht 2006) and creating an atmosphere where concealment is a rational response. Conversely, strengthening trust allows an environment that moves from blaming to learning, and supports innovation (Willcocks and Craig, 2009).

The scope of the studies

The article now draws on data from two studies in different English inner-city areas which focused on changing relationships between the local state and TSOs. Like Jäger and Beyes (2010) we argue the value of in-depth perspectives for illuminating broader trends. The first study, in Rushley², involved case studies of three small but longstanding community-based organisations providing education for disengaged young people. 112 individuals contributed to the study which involved one of the authors in conducting some 50 interviews, 30 observations and additional focus groups over nearly four years; and included management committee members, staff, volunteers and young people, and key local government managers.

The second study was commissioned by a large local authority, Wharton, and undertaken by one author in 2006-7, with interviews taking place over a few months. This had the advantage of providing a snapshot of participants' perceptions, as they faced funding changes towards the end of the financial year. It involved some 50 interviews across different TSOs providing services for children and young people, and included local government service managers.

Both studies were located in relatively deprived English inner-city areas with diverse populations, including significant numbers of recent refugees. Several neighbourhoods in both areas were ranked high in Indices of Local Deprivation (Price Waterhouse 2005) and the areas overall have been involved in neighbourhood regeneration and community participation initiatives. Consequently, new agencies and cross-sector partnerships have emerged, and have gained service delivery contracts alongside longstanding community organisations with successful local track records.

² All locations, organisations and individuals are pseudonyms.

The studies examined relationships between TSOs and local government, exploring experiences of changes to funding arrangements and cross-sector relationships. In the first case, TSOs' experiences of negotiating formal contracts for previously grant-funded services were observed. In the second, the study was conducted as new arrangements for commissioning services (Local Area Agreements) were being implemented.

Both studies examined respondents' perceptions of communications and relationships with local government officers; their experiences of service commissioning, contracting and monitoring relationships; the effects of changes on service activities; and changes in role related to user groups. The studies used qualitative coding methods to analyse and compare data from different sources (Glaser 1992), employing perspectives of critical social research (Harvey 1990) to question the consequences of changes in specific localities. While the second study was of limited duration, together the studies have enriched insights into the continuing effects of changes on cross-sector relationships. In what follows, examples are organised thematically. This article explores only some aspects of the research related to our analysis of trust and other themes arising from the data are considered elsewhere (Milbourne 2009).

Findings

In analysing data from these studies, there was little evidence of spontaneous trust (Hardy et al. 1998); and the focus here is on examples where trust is generated from mutual efforts; or where trust is identified as a masquerade, with cross-sector relationships largely determined by power relations. We also consider how trust has been eroded or is subject to threat through the actions

or inactions of one of the parties and, drawing on the earlier discussion, explore the basis for trust or mistrust in the relationships and factors affecting the fragility of trust.

Moving away from joint endeavour: from trust to control

Initially we examine situations where joint endeavours have shifted to contractually based relationships, considering the effects on trust between the parties. In Rushley, key informants – longstanding staff and management body members from the three TSOs – commented on transitions in relationships with the local education authority (LEA), as they moved from receiving grant funding for providing services for young people excluded or truanting from school, to becoming service contractors. One significant change was that most TSO staff had been employed by the LEA and seconded to the organisations, with the LEA carrying employment risks such as sickness and redundancy costs. In the proposed contracts, the staff were to be employed directly by the TSOs, with consequent risks and costs. A second key change was that the LEA liaison officer, Claire, who was familiar with the three TSOs' work and had established a mutual trust relationship, became redundant and was replaced by a contracts' link officer who had little knowledge of their work. The TSOs' relationship with Claire illustrates all three types of trust: personal, motivational and competence-based. A TSO management committee (MC) member described Claire as someone who:

understands and values what we do. She wants us to succeed with young people as much as we do. She shares our concerns, knows what it's like ...she has that background and knowledge, she'd support staff when the going's tough. (Anna, TSO 1)

Trust was generated through a willingness to explore difficulties and share expertise, facilitating learning and innovation. A joint language of what constitutes success was generated; and Claire visited the organisations, monitoring achievements through narrative and observation, as much as through reports on measured outcomes - which the LEA increasingly required. Good personal relationships were developed over some 5 years, establishing positive motivation for improving services through joint endeavour, sharing problems and achievements. Mutual trust in the competence of the other grew from valuing, and knowledge of, the other's work; shared understandings of services; and jointly constructed contexts for meaningful communications.

With the introduction of more formal contractual relationships, lines of communication changed. Not surprisingly, the decision to remove Claire's role provoked personal antipathy towards the new officer. Visits to the organisations became rare and TSO workers identified a shift in emphasis from value placed on local knowledge and achievements, to compliance with new arrangements and meeting terms inscribed in the proposed contract. Instead of mutually created meanings, the TSOs were increasingly asked to take on hierarchically defined discourse and meanings. Rather than jointly created organisational sense-making (Weick 1995), parallel streams of communication were operating.

The process of negotiating service contracts persuaded members of TSOs that their achievements with extremely difficult young people were being discounted. 'All that matters to them is adopting their approach,' (Anna, TSO1). TSO members became anxious about future funding; and Cora, (TSO 2) described: 'Getting nowhere, never being listened to.' Such reflections highlighted the extent of breakdown of personal relationships with local government officers, symbolised in a perceived lack of respect.

Debates about student attendance targets were a major concern in the proposed contracts. Birgit (TSO3) explained that the proposed targets were the same as those set for mainstream school attendance.

So, we raise a particular problem ... but do these officers see it? They don't... So [the attendance target] it's now 87% - for each child... they don't see how different these children's histories are. Some will never manage to come more than say, 60% but it's what they achieve from nothing – zero participation.

However, the new LEA link officer interpreted the difficulties quite differently, asserting the view that TSOs should comply with dominant managerial arrangements.

They're living in the past I know these projects have been running a long time. As individuals, I'm sure they mean well, but...things need planning, targets, outcomes, it has to be more focused now.

His comments demonstrated a wider shift in culture, which the TSO managements were seen as resisting.

Over a ten month period of contract negotiation, disagreements arising from conflicting assumptions about meanings, purposes and appropriate specification and targets grew; and mistrust pervaded discussions, entrenching differences. During briefing meetings and debriefing discussions, the TSO committee members increasingly referred to Rushley officers' deficiencies as professional managers. There was no sense of jointly shared goals for service outcomes to support motivational trust, and considerable damage to belief in the individual integrity or competence of the other.

As mistrust and frustrated communications grew, the level of coercion in the relationship increased, with the LEA asserting their right to impose terms. With a number of issues pending from earlier meetings and legal advice on the transfer of staff outstanding, each TSO received the 'final Service Level Agreement and Terms and Conditions of Contract for signature' requiring a response by return with,

Confirmation that you will sign the agreements ... [within 7 days], or that you do not intend to, so that we can develop alternative providers. (letter, LEA link officer)

Shocked by the shift to ultimatum, the TSOs MC chairs appealed to elected LEA members by letter.

The new documents, unilaterally impose unreasonable attendance targets and other unsought amendments... contain 14 extra pages in legal 'jargon', unseen by us before. These extend the contract terms and produce significant inconsistencies... Officers' refusal to entertain further discussion is... outside the normal codes of conduct in negotiations and demonstrates a derisory attitude towards us... as partners in delivery.

Performance measures, integral to a professional managerial system, may be couched in a language and codes which detach them from any meaningful evaluation (Cochrane 2000). The example quoted above went further. Standards and benchmarks designed to monitor production line quality had been added to the contract conditions, possibly as a consequence of inexperience among officers under pressure from their superiors, in turn responding to central Government demands, to conclude this negotiation without compromise. However, attempts to coerce did not, in this case, generate capitulation to the more powerful agent, although the loss

of trust at all three levels was acute. Instead, pressure induced resistance from the three TSOs coupled with disillusionment.

This example illustrates ways in which coercive pressures from powerful organisational cultures can destabilise meaningful communications, devaluing locally defined goals and destroying trust. While the ultimatum demonstrates LEA officers' managerial assumptions about their right to control meanings and arrangements (Clarke et al. 2000), it also reflects mistrust in non-specified arrangements and the other's competence. Non-compliance on the part of the TSOs exacerbated officers' perceptions of them as untrustworthy partners.

The TSOs expected to be trusted because of their history of success, while the LEA assumed any trustworthy provider would share their managerial discourse or at least accede to the new arrangements. Neither party identified the need to build better understanding and relationships in the new environment. Better exploration of differences might have helped to build mutual understanding. Instead, divergent prior assumptions and subsequent actions cemented distrust in relationships and undermined communication.

This case illustrates the importance of exploring power within inter-organisational relationships and shows the transition from co-created meanings to forms of power-based masquerade - first persuasive, then coercive - as the LEA and three TSOs moved from joint service endeavours to contractually based arrangements for funding and delivery. Deviating from Hardy et al.'s (1998) models, however, this case offers few examples of the predictable behaviours identified as sustaining adequate surrogates for trust within masquerades.

Sustaining trust in cross-sector work: competence and motivation

In contrast to experiences in Rushley, most Wharton interviewees viewed their local government as having shown genuine commitment to improving services in disadvantaged neighbourhoods and to supporting community organisations. They discussed progress, for example, in relation to young people's projects established through the Children's Fund, Sure Start, Teenage Pregnancy services and other programmes. However, in some cases fragile trust was able to grow; in others, the approaches and cultures were inimical to trust-based relations. Examples that follow suggest that trust in the integrity of individuals and in their competence are inter-dependent. A TSO's ability to share the funder's managerial language and to enter a discourse in terms framed by the dominant participant were identified as contributing to winning a contract; the presence of boundary-spanners and larger organisations' possession of the resources to network or regularly attend consultation meetings were each seen to have significant advantages in influencing service and funding outcomes: as Macmillan (2010) also identifies.

There were many criticisms from research participants regarding: top-down approaches to planning and change processes; inadequate information and communications; poor conduct of meetings; and obscure documentation. Short-term funding and constant changes, with consequent effects on organisational and staffing stability, workloads and time were also heavily criticised. Thus initial goodwill and trust towards public agencies declined through their failure to show respect to community partners. Smaller, less experienced organisations generally experienced these issues more keenly, and often felt excluded from discussions, regarding themselves as outsiders in arrangements constructed by more powerful organisations. In effect,

there was a gap between perceived intentions and practice; between espoused theory and theory-in-action (Argyris and Schön 1978).

The fear of an influx of outsiders lacking local knowledge who would ultimately impoverish provision was repeatedly voiced, signalling a loss of trust in aims to increase local and user participation. However, the introduction of area-based commissioning also placed organisations in competition with each other, with SMEs and with larger providers, creating an environment increasingly characterised by mistrust. A frontline TSO worker supporting family services expressed her mistrust on inappropriate criteria being used to assess services and the exclusion of smaller organisations from planning consultations.

You can be smart, show you meet the criteria, I mean, if you're big enough to have someone dedicated to networking and fundraising but we need to be judged on local knowledge and reputation, show we can do the real work, day in, day out, not whether we can get to meetings.

These perceptions of unfairness were exacerbated by poor communication and failure of local government officers to visit smaller TSOs and 'really know... what we do, gain that professional understanding' (TSO worker). If commissioners had visited or engaged in more meaningful communications, they might have generated a level of individual, as well as competence-based trust and mitigated distrust in the new funding allocation mechanisms.

A further example from Wharton illustrates the development of co-produced work, suggesting that where agencies genuinely collaborate on project delivery, rather than simply engaging in formalised partnership (committee) working, trust-based relationships are more likely to result.

A small TSO, Family Links, worked alongside members of the Children and Adolescents Mental Health Service (CAMHS) to provide home-school support for vulnerable young people and families.

Family Links' staff identified their access to the CAMHS infrastructure as assisting in some time-consuming burdens, such as funding bids and monitoring reports but felt that co-constructing the project and resolving complementary roles relied heavily on participants' attitudes: 'it has a lot to do with trust between individuals that makes the project work.' For CAMHS staff, project work with a non-statutory partner allowed them to operate more flexibly than if they were bound by normal department regulations, enabling partners to 'combine different strengths'. Thus, the more powerful agency recognised and valued the expertise of the other, rather than prescribing its own norms and protocols as the legitimate approaches.

As other research shows (Edwards 2007), key individuals with good local networks and a willingness to set aside organisational hierarchies are important factors in effective inter-organisational work, whether within or outside contracts. Such willingness opens discussion to more meaningful communication and is more likely to generate motivational trust as a basis for mutual service learning. This example illustrates benefits from co-constructing a project but also highlights costs that need recognition, including the investment of time and energy needed to establish trust in joint working from fragile roots.

Risk transfer and innovation

Most organisations we studied were small and had inadequate resources to carry risks, such as high rates of employee sickness or accident, and faced excessive costs for insuring against

these. Some, such as in the Rushley cases, also faced stringent funding penalties for failure to meet performance targets, providing examples of failure to share risks for services. The Rushley contracts link officer had initially argued that specifying demanding targets 'sets standards to aim towards ...to encourage improvement'. However, funding penalties for failing to meet these, imposed later in the process further undermined trust in negotiations and transferred risks from public agencies to TSOs. Here, as elsewhere, TSOs are providing services in fields where the state has failed, in this case, young people out of school. The marginalisation of contextual information about the service, in favour only of numeric indicators, with attached financial penalties, emphasises poor understanding of the challenging nature of the service activities and exacerbates damage to trust.

In Wharton, a youth centre worker identified how competitive funding cultures and a technicist approach to managing and monitoring activities damage openness and trust between different youth centres and with local government officers and instead of learning from service difficulties encourages their concealment.

It's got worse, time was our YO [area youth officer] knew us, now it's like numbers, membership targets, attendance, counting accredited activities... and same time, it's meant to be informal... so there's issues about ...groups sharing problems, like because... competing for funding, that's the bottom line, and it creates dishonesty... people have to make the pretence of meeting targets ...to survive now, so we lose that chance of working together.

Fragility of motivational trust

Many community based TSOs, as in these studies, have previously been recognised for their expertise in working with hard to reach groups of people. Establishing unattainable targets for services working with challenging users is counter-productive, especially when state services have formerly failed these groups. As Cora from TSO2 in Rushley indicates,

We provide education for disturbed and vulnerable young people; outcomes are extremely hard to predict or measure. Insistence on unrealistic targets provides no basis for us to feel confident about any future partnership with [Rushley] Council.

Anna, from TSO1, illustrates this point more blatantly:

Maybe if the deaf student who had a history of arson, they referred, had set fire to The Place, they'd have woken up to the real world...what's a successful performance outcome for him?

The prescription of targets is argued as necessary for public authorities to manage risks and to demonstrate accountability for public funds (Glennerster 2003). However, over-specified contracts signal limited trust by purchasers in the professional abilities of service providers and in turn, erode providers' trust in the competence of the public agency. In cases above, TSOs had good track records, potentially enabling realistic expectations about future achievements based on situated knowledge. However, in projects and services intended to be innovative, the prescription of specific outcomes is neither logical nor fair since performance in new developments is notoriously hard to predict (Van de Ven 1999).

Our final example of a neighbourhood Sure Start project involving multi-agency delivery highlights the damage to organisational relationships posed by disruptive policy changes: a

further way in which cross-sector trust is eroded, and where the state appears to take little responsibility for risks or for seeking to mitigate damage. Sure Start projects have relied on generating neighbourhood trust in developmental work to engage hard-to-reach groups.

However, factors such as fixed-term funding associated with such projects undermine the fragile trust developed among participants in public support for neighbourhood work. In the words of the co-ordinator, the success of this project which had ‘engaged some parents ...from two generations without jobs’ was ‘short-lived with the end of Sure Start funding and the decision to mainstream developments into wider area based Children’s Centres.’ Another worker commented, ‘In two months local parents whose hopes have been raised will lose jobs and the children’s projects. We’re letting them down all over again.’

Involving hard-to-reach, low income families alongside different agencies and workers in designing self-help projects, which increase local employment and improve neighbourhood facilities, generates motivational trust in joint and supported endeavour. This trust is hard to build but easily eroded in the absence of visible means of continuity. The loss of trust in individual professional workers, local and national governments will be difficult to repair where people see their efforts discounted. In this case, the emotional and financial risks for the project failing to survive are carried by those who are most vulnerable but paradoxically were the intended project beneficiaries, according to its policy.

Trust, risk and control: continuity and change in inter-organisational relationships

As our examples demonstrate, traditional grant-based relationships have increasingly shifted to contractual and commissioning arrangements in which differential power relations have

undermined communications and trust. All too often, compliance has been read as consensus but masks a lack of trust between participants. Some trust literature endorses rigorous structures and predictability as creating positive conditions for inter-organisational trust but excludes the element of power. Our research indicates that the power to determine norms of behaviour, discourse and arrangements, associated with dominant managerial cultures in public agencies and heavily specified contracts has, in many cases, pervaded and damaged trust-based relationships. Smaller organisations, furthest removed from dominant cultures, excluded from information, influence and large-scale contracts, experience devaluation; consequently, their trust in public agencies' commitment to working with them on developmental service outcomes is lost.

Our studies demonstrate an organisational environment which is often hostile to developing or sustaining cross-sector trust pervading recent public-third sector relationships: an environment where relationships are increasingly governed by competitive interests and excessive levels of control through contractual frameworks and audit, with little attention given to relational damage or relationship building. Such frameworks serve to manage reputational and financial risks for funding agencies but impose new meanings and arrangements which should require re-negotiation between participating organisations and individuals. With large corporations increasingly competing for contracts, the growing distance between providers and purchasers generates services that are poorly understood, defined and evaluated, and a shrinking relational space in which alternative approaches can be valued. Small community groups are being relegated to roles as sub-contractors or, disillusioned, are withdrawing, taking valuable local knowledge with them.

Our research shows discontinuities and superimposed changes in the funding and policy environments that are frequently responsible for eroding initial trust in state actions: where grant funding moved to contracting arrangements (Rushley); and where TSOs became casualties of new directions (Wharton, Sure Start); or saw specialist work opened to new competitors (Wharton). Failures to communicate or to seek to reconstruct mutually the terms and practices of these environments aggravate the conditions of distrust, weakening opportunities for productive inter-organisational exchange. Despite the promises of greater empowerment of local service users and mutual control of services emerging from Coalition Government localism policies, many local areas are seeing contracts awarded to corporate ‘outsiders’ and services lost. The message from our examples is clear: with the influx of a wider range of bidders, small TSOs anticipate that their community-based expertise and commitment to locally responsive services will be lost, causing longer term impoverishment of services.

Further, the codification of services into contracts potentially removes both commissioners and providers from the need for effective communication about services so that the fairness of, or rationale for, specific performance indicators is concealed. Since providers carry both reputational and financial risks for performance outcomes and future funding success, they are pressured to maximise their appearance of meeting targets, even if this means obscuring service failures from which other TSOs or public agencies might learn.

Moving from more than a decade of New Labour to Coalition government policies, these kinds of challenges have accelerated, with a growing impact on TS mistrust in the state. Support from TS infrastructure organisations is rapidly disappearing alongside many longstanding small community-based projects (Crawley and Watkin 2011). TSOs’ special roles as valued

‘partners’ in service delivery are being displaced by an open market favouring large corporations (Marsden, 2011). Not all of this is new, and continuities are visible in the move to progressively larger contracts through which public bodies hope to minimise transaction costs. However, the state’s retreat, not just from service delivery, but now from responsibility for welfare provision as well, is a massive ideological shift. This has generated multiple and accelerated changes in policy, infrastructure and funding, prompting protest campaigns from vulnerable community organisations (NCIA 2011).

Transfer of risk and erosion of trust

The increased transfer of risk to TSOs emerged from our findings as a significant factor in the deterioration of trust relationships and illustrates a further failure in cross-sector understanding, drawing attention to the contradiction between a policy rhetoric which promotes empowerment, risk-sharing and innovation and TSOs’ practical experiences. Escalating contracts, an increasingly risk-averse public sector environment and the rapid turnover of policy initiatives have all contributed to this growth of overt and covert shifts in the transfer of risks to TSOs, including the recent growth of payment by results. Rather than a risk- and benefits-sharing model, these studies reveal a privileging of costs over effectiveness of provision, and services that are increasingly circumscribed by regulatory controls. This too, is an arena of concern as new contracts attract large corporations, while reducing public responsibilities for finance and welfare have become central driving forces in public decision-making.

How risks are addressed in contracts between public and third sector agencies has received little research consideration. Yet our data suggest an inverse relationship between the transfer of risks

and trust in relationships, showing how tightly managed contractual risk damages communication between purchaser and provider, ultimately impairing service activities and the potential for organisational learning. TSOs have increasingly been engaged to devise new service approaches for the ‘hardest to reach’ groups in society when conventional approaches have failed (Milbourne, 2009). Logically, where innovative provision is intended to overcome past failures a priori specification is impossible: fostering innovation conflicts with a regime reliant on managing outcomes and risks through measurable targets. Market mechanisms thus serve a dual role: as risk management devices for powerful funding bodies; and as means to transfer risk from the more powerful to the less powerful – from state body to TSO. Not only do these shifts and mechanisms discourage development and organisational learning but they contest organisational identities and local accountabilities, imposing others’ interests, values and ‘ways of doing things’ (Hoggett, 2004:119) and creating barriers to building co-operative, cross-sector work.

Recognising competence and growing competence based trust

Our research examples raise questions about how competence and knowledge are judged or legitimised, highlighting differences in sector identities and understandings. Whereas public agency professionals liaising between sectors were previously domain experts, able to enjoy competence-based trust, their responsibility has become managerial audit and contract management. In an audit system, meaning is anchored in unilaterally and hierarchically defined targets instead of being co-produced; thus, legitimate understandings and local narratives of service activities, important to providers and users, are marginalised. Most of our respondents reported non-negotiable targets, resulting, as one youth centre worker described, in a conspiracy

of over-optimistic reporting to manage the reputational and financial risks associated with unrealistic performance expectations in extremely challenging services. Data reporting, based on pre-defined targets and in the language of the funder, has displaced narrative based reporting where activities might be described through locally generated meanings derived from reflecting on practical experience. The strong emphasis on numerical data rather than meaningful communication about quality creates unanticipated consequences, in turn posing risks to longer-term service efficacy, in preventing discussion of failures and inhibiting learning.

This legitimisation of some approaches over others demonstrates how powerful agencies can define the rules of the game (Clegg, 1989) in cross-sector and contractual contexts, undermining trust and the kind of openness which could lead to improvements in relations and services. The nature of public sector-TSO client-contractor relationships often cements a hierarchical imbalance of power that denies all but a masquerade of trust. However, if funding agencies adopt a more flexible stance to communications, to understanding and defining service activities, there is potential for mutual organisational learning. Otherwise, as the contractual environment accelerates, the consequences of mistrust may be inimical to future provision and the kind of innovation that politicians have deemed necessary for wider public confidence in local services.

Many examples discussed offer negative insights into cross-sector relationships but we observed exceptions in projects involving a joint approach, where common endeavour in frontline service delivery overrode norms embedded in dominant management and audit cultures. Such cases show that cross-sector trust can be generated and sustained in situations where time and effort are jointly invested to understanding and learning from different approaches. However, this

demands significant investment in communication and co-creating purposes, meanings and values in the project. It also demands the kinds of projects and infrastructural investment which are currently being eroded. Trust in these settings can be fragile, often depending on individual dispositions and the willingness of representatives from large statutory agencies to relinquish accustomed levels of control. However, the benefits for services from this kind of inter-organisational exchange are significant and would not be feasible within any one organisation (Huxham and Vangen, 2004). If conventional modes of operation are replaced by shared knowledge and approaches, these secure rather than erode trust and effective inter-organisational work.

Conclusion

Public bodies often behave as though trust in their actions is a given; whereas, all too often, trust is a masquerade. This article identifies ways in which trust between sectors has been eroded in a changing environment weakening confidence in public agencies. It has therefore highlighted approaches that might be more effective in developing inter-organisational relationships and building better trust-based services with community providers.

In the wake of Coalition public funding cuts, TS optimism fostered by localism and Big Society strategies has been short lived. From initial celebration of the importance of the third sector's role, it is now evident that much third sector provision will not survive cuts in funding and infrastructural support, and the acceleration of new contracting arrangements. Futures based upon the emergence of an army of volunteers are illusory, particularly in deprived areas, undermining trust in new state projects. The rapid decline in public funding for both state and

voluntary services offers little optimism for motivating cross-sector trust, yet this is needed if the third sector, as a part of wider civil society, is to carry increasing responsibility (paid or voluntary) for social welfare and well-being. Similarly, as accountability for services is contractually devolved, there is little evidence of a lessening in the plethora of regulatory controls and data-based performance frameworks of new public management practices. Reduction in regulatory burden is preached for the business sector but not enacted for civil society.

Among these changes, concern about trust as a means to improve effectiveness in service relationships is barely visible; neither is care about effective services; nor the professional values of providers; nor achieving goals of social equity and social cohesion. In the current economic and political environment, competition and conflict over resources cannot feasibly be removed from state-third-private sector relationships and replaced by relationships built around trust. However, any commissioning or partnership framework must recognise the problems posed by competitive funding and associated approaches to regulation and monitoring, and the management of risk; and appreciate the potential benefits of promoting meaningful communication, sharing organisational knowledge and encouraging trust-based initiatives. The consequences of reviving trust are significant for improving and developing services and thus for any renewed emphasis on wider social participation.

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